



Board Meeting

The Essex

Essex, Vermont

November 18, 2010

Meeting Minutes

Board Members Present: Dawn Bugbee; Steven Gurin; Cathy Hilgendorf (designee of Armando Vilaseca); Charly Dickerson (designee of Robert Hoffman); Kenneth Linsley; Edward Ogorzalek; Thomas Pelham (designee of Neale Lunderville); James Potvin, Chair; Steve Wisloski (designee of Jeb Spaulding); and Stuart Weppler.

Staff: Robert W. Giroux, Debbie Fillioe and Robert Fillioe

Consultants: Lawrence Bauer (Sidley Austin); June Matte, Robert Guadagno and Michael Rawls (Public Finance Management); and James Foley, Jr. (Deppman & Foley).

Guests: David Provost, Alberto Citarella and Shelley Navari (Champlain College); and Jane O'Meara Sanders and Christine Plunkett (Burlington College).

The meeting was called to order by Mr. Potvin at 12:30 pm.

Educational Borrower – Burlington College

Ms. Sanders described Burlington College's request to issue new money bonds to purchase land and buildings that will serve as the new College campus. Ms. Sanders stated that the new campus will allow the College enrollment and educational programming to grow. The College's current campus is at maximum capacity and so the College cannot meet increased student demand. She also feels that the new campus will also provide students with a vastly improved "campus experience". Burlington College will be selling off its current educational-administrative building as part of the "new campus project". Increased marketing and new educational programs have been responsible for the recent increase in enrollment. The College has brought a full-time fundraiser on staff. Finally, Burlington City has been consulted about the project and the increased number of enrolled students and student housing. The City has issued the necessary permits and approvals for the project.

In addition to the \$6.7 million dollar bank qualified private placement loan with People's United Bank, the College will also enter into a subordinated \$3.5 million note with the seller.

VERMONT EDUCATION AND HEALTH BUILDINGS FINANCING AGENCY

Ms. Matte then reviewed PFM's analysis of the proposed financing. The College is proposing to issue debt through the Agency in an amount not to exceed \$7.0 million. The combination of the two loans (Agency and seller) will increase the College's annual debt service by a factor of 5x in the short term. The College is expecting to pay for the debt service through a combination of fund raising and new tuition revenue from increased student enrollments. Recent and projected enrollment statistics indicate that the required student growth is achievable.

Burlington's expendable financial resource base has seen improvement over the last five years, but still remains very low when compared to other higher education institutions. The College has exhibited healthy operations over the last five years and has been able to grow its unrestricted net assets.

Based on the transformational nature of the project, the collateral value of the property being financed and the loan being placed with an institutional "big boy" investor, PFM recommends that the Board grant approval for Burlington College's proposed financing.

Mr. Bauer then reviewed the resolutions associated with the Burlington College financing. The Agency will need to hold a TEFRA hearing and obtain the Governor's approval to issue the bonds. The legal documents are broadly similar to the recent St. Johnsbury Academy financing transaction. The College will provide the Agency with a mortgage on the real property which will be assigned to People's United Bank.

Motion: Ms. Hilgendorf moved and Mr. Weppler seconded the motion to authorize Burlington College to borrow up to \$7,000,000 to purchase a new College campus. The Agency also certifies to the Governor that the project is needed and that the College appears that it will have sufficient revenue to repay the bonds and the interest thereon when due.

VEHBFA Board Members inquired whether the Howard Center would continue to use space within the new College facility. Ms. Sanders stated the Howard Center will occupy another space, in January 2011, currently owned by the Diocese. Ms. Sanders invited the VEHBFA board members to take a tour of the new Burlington College campus.

There being no further discussion, the motion passed with two (2) negative votes.

Mr. Pelham voted in the negative because of his concern about the "fire sale quality" of the purchase and he questioned whether a college campus was the best economic use of the property. Mr. Dickerson voted in the negative out of concerns for Burlington College's financial strength and its ability to repay the debt.

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Educational Borrower – Champlain College

Mr. Provost and Mr. Citarella briefly reviewed Champlain College's request to refund its Series 2003A "Power of 3" bonds and to issue new money bonds for the purchase and renovation of administrative offices. Recent market changes and historically low interest rates have made the refunding and new financing attractive to the College. Champlain College expects to save ~40 basis points on the refunded bonds. Both bonds will be privately placed, bank qualified tax-exempt bonds. The refunding bonds will be with TD Bank and the new financing with KeyBank. Champlain College is also looking to receive a Leahy Grant for funding as well.

Mr. Guadagno then reviewed PFM's analysis of the proposed financing. The College is proposing to issue debt in an amount not to exceed \$14,000,000. The College has met its enrollment growth targets as described in its strategic plan. Champlain's tuition level is below that of its peers, allowing for future tuition flexibility. While liquidity declined in FY'07 due to investment performance, further declines since 2007 have been due to strategic investments in the College. Champlain has had strong operating performance over the past five years resulting in healthy debt service coverage.

Based on the current financial position of the College, PFM recommends that the Board grant approval for Champlain College's proposed refunding and new money financing.

Mr. Bauer then reviewed the resolutions associated with the Champlain College financings. The Agency will need to hold a TEFRA hearing and obtain the Governor's approval to issue the bonds. The legal documents for both financings will be very similar to the College's 2009 revenue bond. A mortgage and security interest in certain College assets will be provided to each lender.

Motion: Mr. Weppeler moved and Mr. Pelham seconded the motion to authorize Champlain College to refund its Series 2003A Bonds with new 2010 Series B Bonds in an amount not to exceed of \$9,500,000 and to issue new 2010 Series A bonds in an amount not to exceed \$4,500,000. The Agency also certifies to the Governor that the project is needed and that the College appears that it will have sufficient revenue to repay the bonds and the interest thereon when due.

Mr. Potvin asked if there were any further questions or discussion.

There being no further discussion, the motion passed with the exception of one (1) abstention.

Ms. Bugbee abstained from voting since she is an active Champlain College Board Member.

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Healthcare Borrower – Rutland Regional Medical Center

Mr. Ogorzalek described the Rutland Regional Medical Center's ("RRMC") plan of finance for BISHCA approved capital purchases. RRMC would like to refinance an \$8.2 million taxable line of credit and finance \$13.2 million in new capital purchases. The 2010 Series bonds will be structured as a tax-exempt, private placement bank qualified loan with TD Bank. The bonds will amortize over 30 years, with a balloon payment due in year 20. The bonds will be issued under RRMC's Master Trust Indenture and are secured by a pledge of gross receipts. Outside of this financing request, RRMC intends to enter into a VRDB interest rate swap with TD Bank.

Mr. Guadagno then reviewed PFM's analysis of the proposed financing. He provided the Board with a report on the RRMC's market position, patient utilization and operations. Outpatient visits have increased since FY'06 and the Medical Center has been able to reduce its average length of stay from 5.1 to 4.8 days during the same time period.

Rutland has a healthy balance sheet. Liquidity and capital indicators have all improved since FY'05. The Center has had consistent and improving operating performance resulting in strong debt service coverage ratios.

Based on the Medical Center's current financial position, PFM recommends that the Board grant approval for the Rutland Regional Medical Center's proposed financing.

Mr. Bauer then reviewed the resolutions associated with the Rutland Regional Medical Center financing. The Agency will need to hold a TEFRA hearing and obtain the Governor's approval to issue the bonds. The legal documents are virtually identical to the 2009 RRMC transaction. The bonds will be privately placed with TD Bank and issued under the Center's 2009 Master Trust Indenture.

Motion: Mr. Dickerson moved and Ms. Bugbee seconded the motion to authorize Rutland Regional Medical Center to borrow up to \$20,000,000 to refinance taxable debt and to purchase certain capital items. The Agency also certifies to the Governor that the project is needed and that the Rutland Regional Medical Center appears that it will have sufficient revenue to repay the bonds and the interest thereon when due. There being no further discussion, the motion passed with one (1) abstention.

Mr. Ogorzalek abstained from voting since he is an employee of RRMC.

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Administrative Items

1. Approval of Minutes -

Motion: Mr. Dickerson moved to accept the minutes of the October 13, 2010 Board meeting. Mr. Weppler seconded the motion. There being no further discussion, the motion passed unanimously.

2. Signature Authorization –

Mr. Giroux described that the Agency's Bank has requested an updated list of authorized signers on the bank and investment accounts. Currently the Board Chair, Board Treasurer and Executive Director are empowered to sign.

Motion: Mr. Dickerson moved and Mr. Gurin seconded the motion to authorize the Board Chair, Board Treasurer and Executive Director as signatories on the Agency's bank and investment accounts with the People's United Bank. The motion passed unanimously.

3. Future Board Meetings –

Mr. Giroux reported that there will be a need for a January 2011 Board meeting. Vermont Law School is seeking authorization to do a \$10 Million public issue to refund \$5.7 M of current debt and \$4.0 M for new capital projects. Other Administrative agenda items include selecting an investment advisor, an auditor and approving the 2011 budget. Board members also requested a discussion regarding their scope of responsibility in two areas: 1) Need for the project; and 2) Ability of the borrower to repay a financing.

There being no further business, the meeting was adjourned.

These Minutes were approved by the Board of Directors at a duly warned meeting on February 3, 2011.



Board Meeting
20 Winooski Falls Way
Burlington, Vermont
February 3, 2011

Meeting Minutes

Board Members Present by Telephone Conference Call: Dawn Bugbee (joined the meeting at 1:45 pm); David Beatty (designee of Jeb Spaulding); Cathy Hilgendorf (designee of Armando Vilaseca – joined the meeting at 12:45 pm); Kenneth Gibbons; Kenneth Linsley; Neal Robinson; Sandy Predom (departed from the meeting at 2:00 pm); James Potvin; Steve Gurin; Stuart Wepler; and Steve Wisloski (designee of Beth Pearce)

Staff: Robert W. Giroux

Consultants Present by Telephone Conference Call: Matt Hughey (Sidley Austin); June Matte and Robert Guadagno (Public Finance Management)

Consultant Present: James Foley (Deppman & Foley)

Guests by Telephone Conference Call: Lorraine Atwood (Vermont Law School)

The meeting was called to order by Mr. Potvin, at 12:30 pm.

Vermont Law School

Ms. Atwood presented Vermont Law School's ("VLS") request for financing. VLS would like to borrow up to \$11.5 million to refund its 2003 Series A bonds and to fund renovations to School owned property. She reported that Moody's had recently reaffirmed the School's rating at a Baa2 with a stable outlook.

The 2003 Series A bonds have an onerous bond covenant, testing only expenses while ignoring the associated revenues, that makes VLS program expansion very difficult to do. This covenant will be removed through the proposed refunding. The new money projects will help VLS with student recruitment and retention. VLS will be making a \$2 million equity contribution towards the cost of new money projects; which include renovating the Center for Legal Services building, constructing a new fitness center, and renovating office space.

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VLS was established in 1972 as a private non-residential law school. US News ranks VLS as the #1 environmental law school and #28 in clinical training in the country.

June Matte, from Public Financial Management (PFM), then presented her analysis of the VLS financing request. The structure for the financing will be uninsured fixed rate bonds sold via a public offering. RBC Capital Markets will serve as the underwriter for the transaction. The bonds will have a 30-year amortization, with a 10-year par call.

Positive credit considerations include: unique market niche and highly ranked law school; consistently strong operating performance; modest balance sheet; and healthy student demand.

Negative credit risks include: an increase in the School's annual debt service requirements; VLS is highly tuition dependent and has a high student tuition rate; and retaining the 2003 Series B bonds in the School's portfolio will continue variable rate risk.

Based on their analysis of the Vermont Law School's current financial position, PFM recommends that the Agency grant approval for the proposed refunding and new money issue.

Mr. Hughey, from Sidley Austin, then reviewed the proposed legal structure with the Board. The proposed transaction is substantially similar to the Rutland Regional Medical Center financing that closed in December 2010. The principal security for the bonds will be the loan payments made by VLS. As additional security for the bonds, VLS will provide to the Master Trustee an amended mortgage on the School property. Because there are new bonds being issued and the School is extending the term of the refunded bonds, the Agency will need to obtain the Governor's approval for the financing.

Motion: Ms. Hilgendorf moved and Mr. Gurin seconded the motion to authorize the issuance of up to \$11,500,000 of Agency Bonds with the proceeds to be loaned to Vermont Law School to refund the School's 2003 Series A Bonds and to fund certain new capital projects. The Board also certifies to the Governor as to the need for the refunding and the new projects, and the Vermont Law School's ability to repay the bonds. There being no further discussion, the motion passed.

Election of Board Members and Officers

Mr. Potvin asked for nominations to fill the two Board seats to be appointed by the Governor appointed members of the Board. Mr. Linsley nominated Mr. Weppeler and Mr. Robison. There being no further nominations, Mr. Potvin called for a vote and the nominations were approved.

Mr. Potvin stepped down as Chair of the meeting and asked Mr. Giroux to preside over the election of officers. Mr. Giroux called for nominations. Mr. Robinson moved the following slate of officers: James Potvin, Chair; Dawn Bugbee, Vice Chair; Edward Ogorzalek, Treasurer;

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and Steven Gurin, Secretary. Hearing no further nominations, Mr. Giroux called for the nominations to cease and for a vote on the slate of officers. The slate of officers was unanimously approved.

Mr. Potvin resumed as meeting Chair.

Administrative Items

1. Approval of Minutes

Motion: Mr. Linsley moved to accept the minutes of the November 18, 2010 Board meeting. Ms. Hilgendorf seconded the motion and it passed.

2. 2011 Budget

Mr. Giroux reviewed the proposed 2011 budget with the Board. The budget is down 27.7% due to the anticipated reduction in the number of bond series to be issued in 2011. The proposed budget will allow the Agency to consider new financings, make certain computer system improvements, increase training and outreach and develop a post bond issuance compliance program. Mr. Giroux reported that the proposed budget had been reviewed and approved by the Agency's Budget/Audit Committee.

Mr. Potvin asked for the Board to go into Executive Session to discuss the Executive Director's compensation.

The Board came out of Executive Session.

Motion: Mr. Robinson moved and Mr. Linsley seconded the motion to adopt the proposed \$256,104 budget with the addition of a 3% raise to the Executive Director's salary and a 0.5% increase to his fringe benefits package. The being no further discussion, the Board voted in the affirmative

3. Request for Proposals – Audit and Investment Services

- a. Mr. Giroux reviewed the proposals received for financial audit services. The three proposals exceeded the minimum guidelines for acceptance. Mr. Giroux recommended the Board accept the proposal from Mudgett, Jennett & Krogh-Wisner, the Agency's current auditor. Mr. Potvin concurred with the recommendation. He said that from his experience, having consistency with an auditor is important and that Mudgett's proposed fees were reasonable.

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Motion: Mr. Robinson moved and Ms. Hilgendorf seconded the motion to accept the audit services proposal submitted by Mudgett, Jennett & Krogh-Wisner. There being no further discussion, the Board voted in the affirmative

- b. Mr. Giroux then reviewed the proposals received for investment advisor and management services. All proposers exceeded the minimum requirements set in the RFP. Mr. Giroux recommended the Board accept the proposal from Advisors in Financial Planning (Hickcock & Boardman). Mr. Robinson reported that he had no knowledge that he was being listed as reference in the RFP, but that he agreed with the recommendation. Mr. Potvin stated that his CPA firm uses Advisors in Financial Planning for their retirement fund and recommends them as well.

Motion: Mr. Linsley moved to accept the proposal from Advisors in Financial Planning to provide investment and management services for the Agency's investment portfolio. Mr. Wepler seconded the motion and it passed.

4. Proposed SEC Financial Advisor Regulations –

Mr. Hughey reviewed the proposed SEC rule regarding the definition of financial advisor. The Commissioner of Education and the appointed members of the Board would be covered under this new rule and would have to register with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as municipal advisors. Sidley Austin feels that the proposed regulation is a blatant over reach of the SEC's powers. Mr. Hughey feels that the regulation is so broadly drafted that many of the Agency's activities may be considered financial advice. The regulation may also apply to the Agency's borrowers.

Motion: Mr. Linsley moved to instruct the Agency's Director and consultants to file comments with the SEC on the proposed financial advisor regulation and to seek assistance from Vermont's Congressional delegation and the Governor's office. Ms. Hilgendorf seconded the motion and it passed.

Other Business

Mr Foley expressed his concern over the continued use of property on the new Burlington College campus by Howard Mental Health. He was concerned about the "private use" regulations of the tax-exempt bonds used to purchase the property. Mr. Hughey said that Sidley Austin was aware of the problem and was working with the College to stay in compliance with the bond requirements. Mr. Hughey said that Sidley Austin will keep the Board informed on this matter.

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There being no further business, the meeting was adjourned.

These Minutes were approved by the Board of Directors at a duly warned meeting on November 8, 2011.